



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FE 893.114 Narcotics/1886

March 23, 1937

STRICTLY CONFIDENTIAL

Attention: Customs Agency Service

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury, and, referring to the Department's letter of March 5, 1937, encloses herewith, in duplicate, for the strictly confidential information of the Treasury Department, a copy of (despatch No. 613, dated February 16, 1937, from the American Consul General at Shanghai, transmitting a copy of a memorandum of conversation between Vice Consul Drumright of the Shanghai staff and Inspector E. Papp of the Shanghai Municipal Police, reporting certain observations of the latter with regard to the narcotic and opium traffic in China which were not incorporated in the annual report on narcotics submitted through the League of Nations by the Shanghai Municipal Council.

Enclosure:

From Consulate General, Shanghai,
No. 613, February 16, 1937, with
enclosure, in duplicate.

C. M. Lingg ✓

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No. 613

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AMERICAN CONSULATE GENERAL.

Shanghai, China, February 16, 1937.

Confidential.

Subject: Observations on Shanghai Municipal
Council Report to League of Nations
on Traffic in Opium and other Dangerous
Drugs for the year 1936.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

Sir:

I have the honor to refer to my despatch No. 590 dated February 8, 1937, enclosing a copy of the annual report made by the Shanghai Municipal Council to the League of Nations on the traffic in opium and other dangerous drugs for the year 1936, and to enclose as of possible interest to the Department a copy of a memorandum of conversation held between a member of my staff and Inspector E. Fapp of the Shanghai Municipal Police, who prepared the report in question. It will be noted from the enclosed memorandum of conversation that Inspector Fapp made certain observations regarding the narcotic and opium traffic in China which he did not choose for obvious reasons to incorporate in his report to the League of Nations.

Respectfully yours,

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C. E. Gauss,
American Consul General.

Enclosure

Enclosure:

- 1/- Copy of Memorandum of conversation
between Vice Consul Drumright and
Inspector E. Papp of Shanghai Municipal
Police.

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In Quintuplicate.

Copy to Embassy, Peking.

Copy to Embassy, Hankow.

Copy to Consulate, Geneva.

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Enclosure No. 1 to despatch No. 1663 of C. E. Gause, American Consul General at Shanghai, China, dated February 16, 1937, on the subject: "Observations on Shanghai Municipal Council Report to League of Nations on Traffic in Opium and other Dangerous Drugs for the year 1936."

Confidential.

Memorandum of Conversation.

February 6, 1937.

Subject: Narcotic, Drug and Opium Conditions in Shanghai.

Inspector E. Fapp, Shanghai Municipal Police, and
Vice Consul Drumright.

I interviewed Inspector E. Fapp, who is in charge of narcotic and opium suppression work for the Shanghai Municipal Police and who prepares the annual report on the traffic in opium and other dangerous drugs for submission to the League of Nations, and discussed with him the report of the Shanghai Municipal Council to the League of Nations for the calendar year 1936 on the traffic in opium and other dangerous drugs.

Inspector Fapp stated that following the promulgation and enforcement last year of the Provisional Regulations Governing the Punishment of Opium Offenders and the Provisional Regulations Governing the Punishment of Narcotic Offenders there had been a marked decline in the local traffic in narcotic drugs. Contrary to various published reports the two sets of regulations for the punishment of opium and narcotic offenders went into force when promulgated (see Article 25 of each set) and the recently published propaganda relative to increasingly severe penalties from January 1, 1937, merely had reference to Article 5 of the Provisional Regulations Governing the Punishment of Narcotic Offenders which prescribed the death sentence from January 1, 1937, for various narcotic offenses formerly subject to less rigorous penalties.

Inspector Fapp spoke of the marked Japanese activity in the illicit narcotic traffic and of the increased participation of Japanese and Koreans in the traffic in Shanghai, saying that many of them had recently migrated to Shanghai from Tientsin where business was bad owing to the impoverishment of narcotic addicts. Shanghai, however, was a fertile field yet unexploited and a number of Japanese subjects were reaping a rich harvest. They were concentrated principally in the Louisa district where they rented small rooms and sold narcotic drugs with the connivance of a group of Chinese gangsters in that district.

Inspector

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Inspector Papp complained of the lack of assistance and cooperation forthcoming from the Japanese Consular Police in apprehending Japanese subjects engaged in narcotic traffic in Shanghai; it was extremely rare when Japanese police could be induced to go on night raids when narcotic traffickers were most active. It appeared to be the Japanese attitude that the authorities should prevent landlords from leasing rooms or "dens" to Japanese subjects engaged in narcotic traffic following which the practice would automatically cease. Inspector Papp was also critical of the light penalties imposed by the Japanese authorities on Japanese subjects apprehended for committing offenses against the narcotic regulations. He said that a first offender was usually dismissed with a caution and it was only after a second or third offense that the offender was given a light fine. In only the most flagrant cases were the Japanese offenders deported from China. Inspector Papp said he had not included these facts in his annual report as he had no desire to have the Japanese protesting to the Shanghai Municipal Council regarding his report.

Inspector Papp was not positive that there had been a decrease in the consumption of opium in the International Settlement following the enforcement of the Provisional Regulations Governing the Punishment of Opium Offenders. He opined, in this connection, that the decrease in the consumption of narcotic drugs had resulted in large numbers of addicts going back to opium smoking. He went on to say that the Chinese Government had attained a monopoly over the distribution of opium in Shanghai through the Opium Suppression Commission and mentioned the fact that the seventy opium houses in Chinese territory operated under a licensing system under the Commission. He had heard recently that the number of houses was to be reduced in the near future to facilitate control thereof. He added that practically no opium was being smuggled into Shanghai from the interior through private hands, this practice having been stamped out by the Government. With the completion of the registration of addicts Government control over the opium traffic would be even more facilitated.

Inspector Papp's opinion is that the harsh measures adopted by the Chinese Government against the traffic in and consumption of narcotic drugs, while motivated partly for social reasons, had also developed into a contest between China and Japan for control of the drug and/or opium traffic in China. It was explained that the Chinese Government had a monopoly in the opium trade in China while Japanese subjects were dominant in the narcotic drug traffic. Therefore, the concerted efforts taken by China to eradicate the narcotic drug traffic and habit principally affected Japanese subjects whose traffic was on the decline; meanwhile, fearing extreme punishment if apprehended trafficking in or consuming narcotic drugs, Chinese subjects were tending to turn from narcotic drugs to opium, with the result that opium consumption is being increased and Government revenues thereby benefited.

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While he had not for obvious reasons included it in his annual report to Geneva, Inspector Fapp stated that there had been recent importations of Iranian (Persian) opium into Shanghai by the Chinese opium suppression authorities. It appeared that this opium has a particular appeal to certain Chinese opium addicts.

In summing up Inspector Fapp thought there had been a notable improvement in the narcotic situation in Shanghai in 1936, and that further progress could be made in 1937, provided that the narcotic traffic of Japanese subjects could be curtailed. Inspector Fapp thought it too early to predict precisely what would be the outcome of the opium control program of the Chinese Government.

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